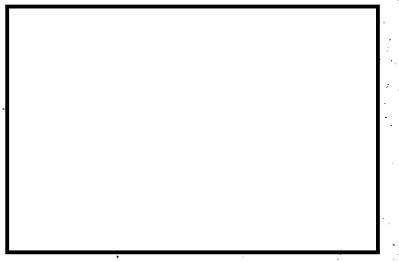
MEMORANDUM FOR: Joyce

Pls file – CCC+T

Mtg, 25 Oct 82



Date

FORM 5-75 101 USE PREVIOUS EDITIONS

25 October 1982

DCI Presentation to the Cabinet Council on Commerce and Trade

SUBJECT: Competitiveness in High Technology Industries

Evidence is strong that U.S. dominance in computers, memory and microprocessors is being eroded by Japan, in wide-bodied aircraft by France, in machine tools and other productive equipment by Germany and Japan and additional high technology areas have been targeted.

Much of the thrust of the attack comes from the ability of those governments to focus joint industrial effort, to support research and development to develop ample and competitive financing, to influence foreign pricing and global marketing strategies. All those techniques may not be possible or desirable for us but we would be remiss if we did not work to understand and consider them.

Fact is our government does support high technology R&D.

We owe a lot of our dominance in aircraft, in computers, in semi-conductors, in memory, in microprocessors, in communications to heavy R&D support by the Pentagon. Now we believe Japan is out to make aircraft its core industry over the next 20-23 years. We have actually helped them in this by the technology we've given them in co-production of the F-16 and other co-production deals.

As a minimum, we need to examine the support we give to high technology through military R&D to see whether it can be broadened to provide economic and commercial benefits as well as security benefits, whether we can get more benefit out of our military R&D.

Both the Japanese and the French are pushing to develop cheaper and stronger basic materials with ceramics, fibre optics and improvements in petrochemicals and metalurgy. Success here would cut through manufacturing and competitive advantages.

Again as a minimum we need to know about and evaluate these basic technological developments. The intelligence community has done evaluations of possible foreign breakthrough in micro-electronics, computers, electric autos, robots, telecommunications, coal liquification and other new energy technologies, advanced bilogical technology and industrial automation. We should see how far we can go in making this information available to the Commerce Department so that U.S. industries whose competitive position may be threatened can be alerted and leads for private sector R&D provided.

We also assess foreign industrial strategies, government financing of joint R&D, start-up loans, and other government support and, believe me, it's comprehensive and substantial.

Concern about loss of high technology markets is certainly growing in industrial and labor circles and we better be prepared to hear a lot about it in the next Congress.

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FRANCE

Heavily involved in target industries and has been relatively successful.

° Industry Restructuring

Government has reorganized the entire electronics sector to improve its competitive strength. Some US companies were forced out and others were nationalized.

° R&D Support

The government plans to spend $20 billion over the next five years to subsidize commercial electronics R&D.

° Direct Subsidies

The government provided about $2 billion to Airbus Industries over the last ten years (half of total program cost).

° Technology Transfer

US companies have been forced to surrender technology in exchange for market access; this has happened in computers, semiconductors, telecommunications and nuclear reactors.



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WEST GERMANY

Less government involvement than UK, France or Japan.
R&D support substantial and effective.

° Export Incentives

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° R&D Support

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° Procurement

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